

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)
) No. G 99 - 12
)
 The Market Conduct Examination) FINDINGS, CONCLUSIONS, AND
 of Foremost Insurance Company, Foremost) ORDER ADOPTING REPORT
 Signature Insurance Company, American)
 Federation Insurance Company, and)
 Foremost Property and Casualty Insurance)
 Company.)
)

BACKGROUND

An examination of the market conduct of Foremost Insurance Company, Foremost Signature Insurance Company, American Federation Insurance Company, and Foremost Property and Casualty Insurance Company (the Companies) for the period June 1, 1997, to May 31, 1998, was conducted by market conduct examiners of the Washington State Office of the Insurance Commissioner. The Companies are insurers authorized under RCW 48.05.030. This examination was conducted in compliance with the laws and regulations of the State of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the Office of the Insurance Commissioner.

This examination was limited to activities relating to policies issued in the State of Washington, and to claims closed for Washington insureds from June 1, 1997 through May 31, 1998. Complaints were reviewed from 1993 through the exam period for trend

identification. The examination included a review of the following areas: Complaint handling; Underwriting, including new issue, renewals, non-renewal and cancellation practices; Claim settlement practices.

The examination report with the findings, instructions, and recommendations was transmitted to the Companies for comments on January 11, 1999. A response to the draft report was received on February 22, 1999. The Companies did not request a hearing.

The Commissioner or a designee has considered the report, the relevant portions of the examiner workpapers, and the submission by the Companies.

Subject to the right of the Companies to demand a hearing pursuant to chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

The Commissioner adopts as findings the findings of the examiners as contained in pages 4-11 in the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the market conduct of the Companies.

ORDER

The examination report as filed, attached hereto and incorporated by reference, is hereby ADOPTED as the final examination report.

It is ORDERED that the Companies comply with the Instructions in the Report no later than 30 days from the date of this order and continuing thereafter. Those instructions are as follows:

1. The companies are instructed to comply with RCW 48.05.190(1) and establish procedures that ensure all correspondence correctly identifies the legal name of the insuring company. (Pages 5&10)
2. The companies are instructed to comply with RCW 48.17.591(1) and offer renewals pursuant to the requirements of this law when the agent/insurer relationship has been terminated. (Page 8)
3. The companies are instructed to comply with WAC 284-30-570 which requires that the actual reason be given when an insurer is canceling, denying or refusing to renew insurance. (Page 8)

4. The companies are instructed to comply with RCW 48.18.300(2) which requires the insurer to pay to the insured any unearned portion of any premium paid when an insured cancels a policy. (Page 9)

5. The companies are instructed to comply with WAC 284-30-330(16) which requires the company to adopt and implement reasonable standards for the processing and payment of claims once the obligation to pay has been established. (Page 10)

6. The companies are instructed to comply with WAC 284-30-340 regarding documentation of claim files to insure they contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed. (Page 11)

7. The companies are instructed to comply with the requirements of WAC 284-30-370 which requires every insurer to complete the investigation of a claim within 30 days after notification of a claim, unless such investigation cannot reasonably be completed within such time. (Pages 6&11)

ENTERED at Lacey, Washington, on March 22, 1999.

DEBORAH SENN

Insurance Commissioner

By:

WILLIAM E. FRANSEN

Deputy Commissioner